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November 1, 1996

Office of the Secretary
Federal Communications Commission
Room 222
1919 M Street N.W.
Washington, D.C. 20554

Re: CS Docket No. 95-178 Definition of Markets DOCKET FILE COPY ORIGINAL"

Ladies and Gentlemen:

In comments filed in the above referenced Docket on October 31, 1996, Southern Broadcast Corporation of Sarasota requested that the attached "Further Comments of Southern Broadcast Corporation of Sarasota" be incorporated by reference. For ease of reference, I am submitting seven copies of this document for inclusion in CS Docket No. 95-178.

Sincerely yours,

Joseph A. Belisle

Counsel for Southern Broadcast

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Corporation of Sarasota

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# BEFORE THE FEDERAL COMMUNICATIONS COMMISSION WASHINGTON, D.C. 20554

In the Matter of	)			
Amendment of Parts 73 and 76 of the Commission's Rules	) Gen.	Docket	No.	87-24
Relating to Program Exclusivity in the Cable and Broadcast Industries	)			

#### FURTHER COMMENTS OF SOUTHERN BROADCAST CORPORATION OF SARASOTA

Respectfully submitted,

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January 17, 1989

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#### SUMMARY

The Further Notice's proposal to repeal limits on territorial exclusivity for non-network programming will deny states and communities the local television service mandated by Section 307(b) of the Communications Act. Local viewers in overshadowed markets will have to tune to distant large-market stations to see the most attractive non-network programs. The lost local viewership will reduce local advertising revenues to overshadowed small market stations and threaten the continued existence of the smaller markets as independent ADIs. Loss of revenue and/or loss of ADI status will greatly diminish the resources small market television stations have available for local news, public affairs and other local programming. This harm will be far more widespread than contemplated in the Further Notice. Television service in entire states will be degraded. Even larger markets on the edge of the largest television markets may be affected. No valid reason exists for this type of disruption to the existing television marketplace.

## Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

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Amendment of Parts 73 and 76	)	Gen.	Docket	No.	87-24
of the Commission's Rules	)				
Relating to Program Exclusivity in	)				
the Cable and Broadcast Industries	)				

#### FURTHER COMMENTS OF SOUTHERN BROADCAST CORPORATION OF SARASOTA

- 1. Southern Broadcast Corporation of Sarasota ("SBC") hereby submits its Further Comments on non-network territorial exclusivity in response to the <u>Further Notice of Proposed Rule Making</u>, FCC 88-322, released October 21, 1988 (hereinafter "<u>Further Notice</u>"). SBC stands by its Comments filed on July 22, 1987 and its Reply Comments filed on September 22, 1987 with respect to the non-network territorial exclusivity rule. 1
- 2. The <u>Further Notice</u>'s proposal to repeal limits on territorial exclusivity for non-network programming strikes at the heart of the policy favoring local broadcast outlets contained in Section 307(b) of the Communications Act of 1934, as amended ("The Communications Act"). The broadcast of attractive programs is the means by which broadcast stations attract the audience and revenues to serve their local communities. Without the 35 Mile Rule, television stations in overshadowed markets will not be able to purchase this essential attractive programming. Viewers in

Rule 73.658(m), herein also referred to as the "35-Mile Rule."

programming exclusivity protection. This exclusivity protection would presumably be purchased by large market stations against smaller stations on the fringes of their service areas in the absence of the 35 Mile Rule. SBC submits that there is no demonstrated need for large market stations to purchase additional exclusivity against smaller stations in overshadowed markets and that such exclusivity protection is contrary to the public The Further Notice's academic and hypothetical belief that market forces are more ". . . efficient and effective . . . " in directing program acquisitions is simply wrong, and contrary to the reality that the television marketplace is, in fact, imperfect. For instance, the television station market is distorted by the substantial disparity between UHF and VHF television stations, and because station locations are selected not by market demands but rather are assigned to cities of license pursuant to the dictates of Section 307(b) of the Communications Act. Thus, in contrast to the Commission's position, the United States Justice Department, in to consideration of such industries as the television station industry, recognized in its Vertical Restraint Guidelines issued on January 23, 1985:

. . . that vertical restraints (like exclusivity contracts) that are benign in competitive markets may have very different and pernicious effects in industries where entry is restricted or limited by regulations. In such markets the competitive forces will not work in place of a regulatory limitation to protect the public

overshadowed markets will either watch the attractive programs on distant stations or, if viewing is not technically possible, be deprived of them entirely. The validity of this assertion is fully demonstrated in SBC's initial Comments. Nonetheless, SBC has attempted to answer the additional inquiries set out in the <u>Further Notice</u>.

#### THE COMMISSION'S BELIEF THAT THE TELEVISION MARKETPLACE NO LONGER REQUIRES PROGRAM EXCLUSIVITY PROTECTION IS IN ERROR

- 3. The <u>Further Notice</u> clings to the belief expressed in the original <u>Notice</u> that changes in the television industry occurring since 1973 have eliminated the need for the protections afforded small-market stations by the 35-Mile Rule. <u>Further Notice</u> at para.

  29. The fact is, however, that all television stations, including small-market stations, continue to need top-rated programming to generate revenues. This has not changed since 1973. There are great differences in the attractiveness of syndicated programs. If small-market stations are denied access to hit programs, their ratings and revenues will suffer. These facts have also remained the same since 1973. Indeed no truly significant fact regarding the need for the 35-Mile Rule has changed in last 16 years, nor is there any reasonable expectation for changes in these significant facts in the foreseeable future.
- 4. The <u>Further Notice</u>, at para. 25, also requests parties to comment on the need for or desirability of non-network

#### interest.2

The Further Notice, at paragraph 32, in questioning the 5. practicality of the existing 35 Mile Rule recites a litany of factors that may or may not affect a station's desire for additional program exclusivity. This laundry list, includes such variables as terrain conditions and programming carried by competitors in adjacent time periods. The fact is, however, that the Commission has a fairly simple non-network territorial exclusivity rule that has been working well for 16 years. Further, the Commission has been paralyzed whenever it has had to grapple with these territorial exclusivity problems on a case-by-case Indeed, some of the waiver requests involving the 35-Mile Rule have been pending at the Commission since 1981. that the Commission is capable of market-by-market analysis of territorial exclusivity is simply wishful thinking. If there is going to be any meaningful restraint on the ability of large-market stations to deny programming to overshadowed stations and the markets they serve, it will be in the form of a rule with fixed mileage limits on exclusivity.

See Statement of Dr. William O. Kerr regarding amendment of parts 73 and 76 of the Commission's rules relating to program exclusivity in the cable and broadcast industries. Attached to SBC's July 22, 1987 Comments as Exhibit 1.

# THE COMMISSION'S REQUEST FOR ADDITIONAL INFORMATION IMPACTING THIS RULE REQUIRES THE FORMATION OF A SPECIAL STAFF TO STUDY THIS ISSUE BEFORE MODIFICATION OR ELIMINATION OF THE EXISTING RULE

- SBC submits that no private party has the ability to compile an overview of the economic viability of all the television stations that will be impacted by the Commission's proposal to permit large market stations additional programming exclusivity, or to collect the other data requested by the Commission. past the Commission has employed special staffs of experts to assemble and review data in advance of efforts to significantly restructure the television marketplace. The Network Inquiry Special Staff, for example, made use of the talents of several lawyers and economists familiar with operations in the broadcast These individuals assembled comprehensive data upon industry. which the Commission based its review of television network regulation. The regulation of non-network television programming is at least as significant to smaller market television stations as network regulation. The 35 Mile Rule should not be repealed or modified without the type of expert analysis the Commission has devoted to matters of similar import in the past. Nevertheless, SBC has attempted to provide some information which demonstrates the critical need for additional studies before the Commission acts in this procedure.
- 7. For instance, paragraph 26 of the <u>Further Notice</u> requests data on the number of stations that might be affected by permitting

to dozens of the most attractive programs.<sup>5</sup> The economic impact is obvious. Forcing a small-market station to purchase the 12th rated program instead of the first rated program could result in a two-thirds reduction in the station's viewing audience.<sup>6</sup> Chopping a station's audience by two-thirds or more is the prelude to economic disaster.

11. This view is supported by David Smith, Director of Programming for Katz Communications. According to Mr. Smith attractive programming is critical to small market stations. These stations must attract ratings to maintain the advertising revenues that support their news and public affairs programs. In Mr. Smith's opinion, the repeal of the 35 Mile Rule will deny small market stations viable program options, reduce their ratings and

See Comments of Southern Broadcast Corporation of Sarasota filed July 22, 1987 at Exhibit 7. This exhibit is an inventory of syndicated programming in the Tampa/St. Petersburg and Sarasota markets. The only Sarasota Station is station WWSB. Examination of the Tampa/St. Petersburg programming purchases reveals that the stations in that market have purchased over 120 syndicated programs.

As demonstrated in Exhibit 4 to SBC's July 22, 1987 Comments, the difference between the top rated syndicated program in May 1987 and the 12th rated program was 11 rating points. This difference was more than two-thirds of the top show's rating. In reality, when large-market stations assert exclusivity, small-market stations will not have access even to a 12th-rated program. They will have to settle for the 30th or 40th most popular program propelling audiences away to the large-market exclusive hits. The updated ratings data contained in Exhibit B to these Further Comments shows similar differences in ratings among syndicated program. See infra para. 12.

does not have the resources to produce a study anything like the type the Commission requests. What can be said is that small-market viewers will have to tune their sets to distant-market signals to view attractive programs. Those small-market viewers who can receive the large market stations will not receive the over-the-air television signals of these large-market stations as well as viewers located nearer the large stations' transmission facilities. Small market viewers will either view hit programs on a signal inferior to the signals placed over their homes by their local stations or fail to see the hit programs at all because of the absence of signal reception of the large market stations.

10. Paragraph 30 of the <u>Further Notice</u> also requests data on the importance of attractive programming to stations' competitive efforts. SBC submits that the revenues generated by small market stations will inevitably drop once large-market stations are free to obtain program exclusivity against them. This is because revenues are a function of ratings and ratings are a function of purchasing attractive programming. The attractiveness (<u>i.e.</u>, ratings) of syndicated programming varies dramatically from program to program. Since large markets frequently have numerous stations that must purchase syndicated programming, large-market exclusivity against small stations will deprive small-market stations access

See A.C. Neilson Rankings for all Syndicated Programs (November, 1988 sweep), attached hereto as Exhibit B. See also Comments of Southern Broadcast Corporation of Sarasota filed July 22, 1987 at Exhibit 4.

large-market stations to obtain additional program exclusivity. Perhaps a more appropriate question is, how many cities and states would be potentially deprived of the local broadcast station if smaller local television stations could not purchase attractive programming to support their operations? Based upon an initial review, without the aid of computer analysis, SBC believes there are 55 communities and 77 UHF channels overshadowed by the top 20 television markets, alone. These communities and states are entitled, pursuant to Section 307(b) of the Communications Act, to their fair distribution of television service. Repeal of the 35 Mile Rule could dramatically limit or even destroy local television service in these communities.

- 8. For example, SBC submits that unlimited program exclusivity in the New York and Philadelphia markets would virtually eliminate the ability of New Jersey and Delaware television stations to purchase attractive syndicated programs. Unlimited program exclusivity in the Boston market would likely render the states of New Hampshire and Rhode Island wholly dependent upon Boston for attractive syndicated programs. This same fate would befall television viewers in Worcester and New Bedford, Massachusetts.
- 9. The <u>Further Notice</u> at paragraph 33 also requests data on the specific populations that would be disadvantaged <u>vis-a-vis</u> other television viewers by elimination of the 35-Mile Rule. SBC

<sup>3 &</sup>lt;u>See</u> Comments of Southern Broadcast Corporation of Sarasota, filed July 22, 1987 at Exhibit 9.

programs.

#### THE COMMISSION SHOULD NOT CHANGE THE 35 MILE LIMITATION IN LIEU OF AN ALTERNATIVE MARKET DEFINITION

- 13. The <u>Further Notice</u> also requests "proposals for modifying the rule to conform more closely to actual market situations." Further Notice at para. 32.
- 14. The <u>Further Notice</u> solicits comments on expanding the geographic exclusivity permitted by the 35-Mile Rule to some larger area, <u>e.g.</u>, 50, 70 or even 100 miles. <u>Further Notice</u> at para. 34. SBC submits that this would only further distort the television marketplace by allowing VHF stations to use their superior technical abilities to the disadvantage of UHF broadcasters. <u>See supra</u>, paragraph 16. The fact is that the Commission created a 35 Mile exclusivity zone and numerous local markets have sprung-up in response to this regulatory measure. Now, after sixteen years of encouraging investment in small market television, the Commission is proposing measures designed to return television to the golden days of the 1950's when all television was large-market and VHF. This is exactly the opposite of what Section 307(b) of the Communications Act requires of the Commission.
- 15. However, if the Commission desires to seek a mileage criterion that addresses the reality of the imbalanced television marketplace, SBC proposes a 30-mile zone. The adoption of a 30-mile zone would equalize the relative abilities of UHF and VHF stations to utilize and attract audiences to program exclusivity.

- 16. Specifically, 30 miles is the distance over which average UHF and VHF stations enjoy comparable reception by television receivers employing outdoor receiving equipment.<sup>8</sup> A 30-mile limitation on non-network territorial exclusivity would help equalize the gross disparity in the relative potential of UHF and VHF stations to compete for audience. If absolute parity for UHF stations is considered an acceptable goal, the Commission may even want to consider basing exclusivity on comparable indoor reception for UHF and VHF stations. This would entail adopting a 15-mile limit on non-network territorial exclusivity. This is fifteen miles beyond the point that indoor reception of average UHF and VHF stations is comparable.<sup>9</sup>/10
- 17. SBC proposes the 30 Mile limitation only because it entails less disruption to the present system of purchasing exclusivity than a 15 mile limitation would entail.
- 18. Another matter involving the 35-Mile Rule addressed by the <u>Further Notice</u> is the possible need to amend the list of television markets specified in Rule 76.51. <u>Further Notice</u> at para. 35. This possible need would arise out of Rule 73.658(m)'s exceptions regarding hyphenated television markets. SBC submits

Sarasota filed July 22, 1987 at Exhibit 2, Attachment A, p. 3.

<sup>9 &</sup>lt;u>Id</u>. at p. 2.

The original non-network territorial exclusivity rule adopted by the Commission was a 25-mile rule. This limit was expanded to 35 miles to conform it to the cable television distant signal rules. Territorial Exclusivity, 42 FCC 2d 175 (1973), reconsidered, 46 FCC 2d 892 (1974).

threaten the existence of their independent markets. See Mr. Smith's Letter attached hereto as Exhibit C.

The Further Notice requests additional data on the 12. relative differences in audience appeal (i.e., ratings) syndicated programs. Further Notice at para. 30. Attached hereto as Exhibit B is the A.C. Neilson data for syndicated programs for the November 1988 sweeps. Examination of this data reveals great disparity in the ratings of non-network programs. For example, the first-rated prime access program on network affiliates in the top 100 markets between 7 p.m. and 8 p.m. had an 18 rating compared with a 7 rating for the fourteenth-rated program. See Exhibit B Similarly, the top-rated syndicated program on at p. з. independent stations in the top 100 markets during this time period had a 10 rating compared with a 2 rating for the number sixteen program. Id at 4. Programs exhibited in "early fringe" hours also demonstrated significant differences in their ability to attract The top-ranked early fringe program on network audiences. affiliates in the top 100 markets attracted a rating of 12 while the nineteenth-rated program had a 5 rating. <u>Id</u> at 7. Obviously stations relegated to purchasing only the programming leftovers for any given time slot will have the lowest ratings. This inferior rating performance will translate into low station revenues, decreasing resources available for news and public affairs

A discussion of station's need for programs in the West Palm Beach and Sarasota, Florida markets is contained in the Statement of Linda DesMarais that is Exhibit 5 to SBC's July 22, 1987 comments in this proceeding.

that a better approach to program exclusivity would be to eliminate the hyphenated-market exception and apply the 35-Mile Rule to all communities separated by more than 35 miles. This would give smaller stations access to needed television programs.

#### MAINTENANCE OF THE 35 MILE RULE WILL CONTINUE TO BENEFIT PROGRAM AVAILABILITY

19. At paragraphs 26 and 28, the <u>Further Notice</u> requests comments on the beneficial effects the 35-Mile Rule has on the program supply market. The Motion Picture Association of America, Inc. ("MPAA") explained these beneficial effects in its comments in the last round of this proceeding. MPAA's comments were completely straightforward. While it is true that MPAA's comments conflicted with the Commission's preconceived notions on program supply reflected in the original <u>Notice of Inquiry and Notice of Proposed Rule Making</u> in this proceeding, this conflict did not render them incomprehensible. Indeed, they contained more detail and analysis than the contrary speculation that was used to support the Commission's position in the <u>Notice</u>, and they are certainly more authoritative. The Commission neither regulates nor engages

<sup>11 &</sup>lt;u>See</u> Comments of the Motion Picture Association of America, Inc. at pp. 110-114.

<sup>2</sup> FCC Rcd. 2393 (1987), hereinafter "Notice".

in program production. MPAA's members, on the other hand, are experts in this area.

In considering program availability, the Further Notice also solicits comments on the relative bargaining power of largemarket and small-market stations in negotiating with programming Further Notice at para. 27. Simply put, syndicators suppliers. need access to the top-50 markets in order to place first-run syndicated programs into production. 14 Several group television owners control syndicators' access to these top 50 markets. 15 If. for example, a syndicator must give a group owner exclusivity against stations in television market number 111 to close a deal covering television markets one, two, three, six and eight, you can be sure market 111 will not be sold the syndicator's program. Moreover, no additional money will be charged for market 111's The price of additional program exclusivity will not be paid in dollars, but in access to large audiences. 16 stations with this type of currency are the stations the FCC's

Indeed, when the Commission last studied program production, it hired outside consultants who assisted in preparing a report entitled "An Analysis of Television Program Production, Acquisition and Distribution," FCC Network Inquiry Special Staff (1979).

See Comments of Southern Broadcast Corporation of Sarasota filed July 22, 1987 at p. 17, n. 13; and Ex. 6, pp. 4-5.

<sup>&</sup>lt;sup>15</sup> Id. at p. 17, n. 13.

This access is even more important today than in the past. Today syndicators retain barter spots within the programs they license. The value of these barter spots is dependent upon the programs' access to the largest television markets.

allocation scheme has placed in the nation's largest population centers. The example discussed above is hypothetical. However, SBC has experienced this type of exclusivity problem with stations in the Tampa/St. Petersburg market that can claim exclusivity against its station. To SBC's knowledge, no additional payments are made to syndicators providing exclusivity against SBC's station. Tampa/St. Petersburg, Market No. 13, is sufficiently important to syndicators that Sarasota, Market No. 155, can be frozen out for no additional cash payments.

- 21. The <u>Further Notice</u> at paragraph 28, seeks information on how the 35-Mile Rule might limit availability of programing by impacting on the decisions of copyright owners to market their programming to non-broadcast media. The 35-Mile Rule, of course, leaves copyright owners free to market their programs to whomever they desire. It is only a restriction on the ability of television licensees to freeze out programming sales to other television licensees. It would be amazing, indeed, if any copyright owner ever considered the 35-Mile Rule in connection with a decision to market his product to non-broadcast media.
- 22. Paragraph 31 of the <u>Further Notice</u> also invites comment on whether the 35-Mile Rule places broadcast stations at a competitive disadvantage with respect to non-broadcast video media that are not subject to territorial exclusivity restrictions. It parrots the speculation in the original <u>Notice</u> that the 35-Mile Rule may be encouraging program suppliers to exhibit programs on non-broadcast media. However, no factual basis exists for this

view of the 35-Mile Rule. The 35-Mile Rule regulates exclusivity arrangements among television broadcasters, alone. It has nothing to do with the exclusivity arrangements that affect other video media. Neither the <u>Further Notice</u> nor the original <u>Notice</u> provides any reason for the Commission's speculation that the 35-Mile Rule affects program sales to non-broadcast media. Indeed the <u>Further Notice</u> goes as far as to suggest that the rule limits the ability of programs to reach as wide an audience as possible. <u>Further Notice</u> at para. 31. This view is simply incorrect. It is impossible to restrict the ability of a program to reach audiences through a rule that allows a programmer to exhibit the program on more stations serving a larger area.

#### MISCELLANEOUS TSSUES

23. The <u>Further Notice</u> is also considering elimination of present restrictions on network territorial exclusivity. SBC is unaware of any party that actually requested the Commission to take this action. The present rule governing network exclusivity seems to work. It has resulted in networks that cover the vast majority of our nation's population. There is no way that increasing network programming exclusivity can bring network programming to more television viewers. Accordingly there does not appear to be any public interest benefit to be obtained from changing present network territorial exclusivity restrictions.

24. A final issue raised in the <u>Further Notice</u> is whether there should be a single, consistent territorial exclusivity policy covering all network and non-network programming, whether carried over the air or on CATV. <u>Further Notice</u> at para. 41. While there is a certain elegance to principles that embrace and unify diverse subjects, there is no apparent need for a super territorial exclusivity rule. The problems involved in TV-to-TV competition (<u>e.g.</u>, UHF handicap, large market versus overshadowed market) are not the same as the problems posed by CATV-to-TV competition (<u>e.g.</u>, compulsory copyright versus negotiated purchases of programs). It would be remarkable if a rule could resolve these diverse competitive problems with a single, uniform requirement.

#### CONCLUSION

25. In view of the foregoing, SBC submits that good reasons remain for either retaining the 35 Mile Rule in its existing form or even reducing the amount of non-network programming exclusivity that large market television stations can purchase against smaller market station. The Rule's continued existence fosters the localism mandated by Section 307(b) of the Communications Act. There are simply no facts that justify repeal of the 35 Mile Rule at this time.

Respectfully submitted,

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January 17, 1989

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EXHIBIT A

### The Market

#### MARKET DEFINITION

A television market consists of either a single station or an aggregation of television stations which are intended to be reported together in one common Market Report based on historical usage. Each Area of Dominant Influence ("ADI") must have at least one commercial, non-satellite home station. ADI markets are those which have achieved ADI status according to the rules defined in Arbitron's ADI Assignment and Update Rules Policy. Non-ADI Markets are defined later in this chapter.

Changes in the marketplace may dictate that a change is appropriate in the market configuration due to, but not limited to, new commercial stations coming on-the-air or an existing station leaving the air, changes in network affiliation, or changes in parent/satellite station relationships. However, market configuration changes will be made in the exercise of Arbitron's discretion and research judgement, usually after consulting with the stations in the market. Note that changes in ADI configuration are explained below.

Some marketing conditions may warrant that two existing ADI markets become joined or "hyphenated". Arbitron exercises its independent judgement in combining existing markets and in reviewing the reconfiguration of existing markets. As a general rule, once markets are joined, the resulting combination becomes a single permanent market. Exceptions are made only at Arbitron's discretion in the exercise of its professional judgement.

Metro, ADI and Total Survey Area ("TSA") geographic areas for ADI markets are defined and explained in the sections which follow.

#### AREA OF DOMINANT INFLUENCE (ADI)

#### Definition

The ADI or "Area of Dominant Influence" is a geographic design which defines each television market, exclusive of all others, based on measured viewing patterns. It is an area that consists of one or more Arbitron sampling units in which the commercial stations home to the ADI and satellite stations, reported in combination with them, received the preponderance of total viewing hours.

A sampling unit is normally one county or an independent city, although some counties may be divided into two or more sampling units due to topography or ethnicity. For purposes of this publication, sampling units will be considered as full counties for simplicity of reference. Each county in the contiguous U.S. is allocated exclusively to one ADI. There is no overlap.

When a county is divided by Arbitron into more than one geographic sampling unit, each unit is analyzed as if it were a separate county for ADI purposes, and is assigned to an ADI on the basis of the rules described below.

Survey areas in Alaska, Hawaii, territories or possessions may be designated ADIs if stations subscribe to Arbitron's service.

ADI Policy

The original ADI allocations were based on a 1965 county-by-county study of television circulation using viewing data obtained by diaries from approximately 250,000 television households. From these viewing data, Arbitron prepared estimates of the total viewing hours in each county for an average week, and the percentage of the estimated total viewing hours for each station for which viewing was reported. These shares of county viewing formed the basis for the original ADI allocations using standardized formulas and procedures.

Arbitron now updates the ADI allocations annually, the most recent update having been computed from viewing estimates from the May 1985, July 1985, November 1985 and February 1986 surveys. Based on these estimates, Arbitron made its ADI allocations for the 1986-87 survey year.

Assignments of counties to ADIs are effective for a 12-month survey year, commencing each September.

Assignment Rules

Once the estimated total viewing hours for a county, and the percentage of each station's total viewing in the county are determined, Arbitron sums the station percentages by the market of the stations. The market having the largest total percentage of viewing is deemed to be the "dominant influence" in the county under consideration, and that county is

allocated for ADI purposes to that market of origin. When Arbitron identifies a Non-Metro County which shows more viewing to the home stations of an ADI to which it is not currently assigned, the county is considered to be eligible for reassignment to the appropriate new ADI. Home counties and Metro counties are treated differently. (See Exceptions to the General Reassignment Rule and Metro Rating Area Policy.)

General Reassignment Rule: Beginning with the 1983-84 ADI Update, Arbitron adopted a "Test of Statistical Significance" in cases of possible county reassignment to determine if the difference between a county's share of viewing to home stations of two different ADIs is "real", in the sense the difference is not due to sampling error, and would therefore warrant reassigning the county to a different ADI. The test of significance involves the use of a formula which takes into account the difference between two ADIs' shares of the county's viewing, the effective sample size in the county, and HUT (Households Using Television) estimates in the county. In the formula which is given below, all figures used are four-survey averages except for sample size, which is a four-survey total.

#### Statistical Significance Formula =

Using the Formula: Here are the values needed when using the Statistical Significance Formula:

Interpreting the Results: If the result of the formula is:

- 2.00 or greater, one can be <u>95 percent</u> confident that the difference between two ADIs' shares of the county's viewing is real and not due to sampling variations. In this case, Arbitron will reassign the county to the new dominant ADI.
- Between 1.00 and 1.99, one can be less confident that the difference between the two ADIs' shares of the county's viewing is real. In this case, Arbitron will assign the county to the new ADI only if that ADI has the larger share in at least three of the four individual survey periods used for the ADI Update.
- Less than 1.00, one can have little confidence that there is a true difference between the two ADIs' shares of the county's viewing to the home stations and, despite the higher share of viewing to the new ADI, Arbitron will retain the county as part of the ADI to which it is currently assigned.

To clarify this formula, consider the following example:

Baker County is currently assigned to the Eastville ADI. According to four-survey figures used as the basis for ADI Update, the home stations of the Northtown ADI now have a larger share of viewing in Baker County than home stations in the Eastville ADI.

Eastville ADI Share = 2438
Northtown ADI Share = .4838
Baker County HUT = .3031
Effective Sample Size = 396

The Formula:

$$\frac{.4838 - .2438}{\sqrt{\frac{.4838 \times (1 - .4838) + .2438 \times (1 - .2438)}{396 \times .3031}}$$
or 3.99

Applying the Formula of Statistical Significance, the result is greater than 2.00. Therefore, one can be more than 95 percent certain that Northtown ADI's home stations' share of viewing in Baker County is, in fact, greater than Eastville ADI's home stations' share. On the basis of this result, Baker County would be reassigned to the Northtown ADI for the next survey year.

<sup>\*</sup>Except where provided, values can be obtained from the County Coverage Report.

## Exceptions to the General Reassignment Rule: Home County Policy

Non-Metro Rating Area counties that are Home counties of stations are reviewed differently during ADI Update. If a station achieves at least a 5.0 share in its Home County, its Home County will not be reassigned to another existing ADI market *unless* the *average* of percentages of viewing hours of the stations in the other market is at *least 10% greater* than the *sum* of the percentages of viewing hours of the stations in the Home County Market under consideration.

Note: For a station to be included in either the calculation of the sum of station shares in the Home County Market or the calculation of the averages of shares of stations in the other market, it must receive at least an unrounded 5.0 share of viewing in the county under consideration.

The following are two examples illustrating how the Home County Policy can affect ADI assignments.

#### Example 1

ABLE COUNTY	SHARE OF COUNTY VIEWING	
HOME COUNTY		
Station A		
Station B	3.28	
TOTAL	21.75	
OTHER MARKET		
Station C	24.20	
Station D	20.19	
Station E	19.86	
Station F		
TOTAL	69.12	

Results: Under the Home County Policy, only stations with a 5.0 share are figured in the computations.

**1.** Only Home County Station A qualifies. 10% is *added* to its share of viewing:

$$18.47 + 10\% = 20.32$$

**2.** Other Market Stations C, D and E qualify for consideration. Their shares are added together and *averaged*:

$$24.20 + 20.19 + 19.86 = 64.25 \div 3 = 21.42$$

**3.** The Other Market stations are dominant, and the Home Market does not achieve or retain ADI status. The Test of Significance is not utilized in the Exceptions to the General Rule.

Example 2		
GOLD COUNTY	SHARE OF COUNTY VIEWING	
HOME COUNTY		
Station A		
Station B	4.84	
TOTAL	19.46	
OTHER MARKET		
Station C	17.21	
Station D		
Station E		
Station F		
Station G		
TOTAL	60.03	

Results: Under the Home County Policy, only stations with a 5.0 share are figured in the computations.

**1.** Home County Station A qualifies. 10% is *added* to its share of viewing:

$$14.62 + 10\% = 16.08$$

**2.** Other Market Stations C, D, E and F qualify, and their shares are added together and *averaged*:

$$17.21 + 22.13 + 13.29 + 6.18 = 58.81 \div 4 = 14.70$$

**3.** The Home Market is dominant in the Home County, and therefore, the Home Market retains or achieves ADI status. The Test of Significance is not utilized in the Exceptions to the General Rule.

A satellite station's share of viewing is combined with its parent station's viewing for purpose of this calculation.

In considering the creation of a new ADI Market, consisting of one or more counties not then Home counties or Metro counties to a pre-existing ADI, the criteria for the General Rule of reassignment of counties to an ADI would prevail; in addition, a market must win its Home County, and that Home County must have at least 10,000 television households. In the case of a new ADI which could be created through the application of the Home County Policy, the home station may waive the application of that rule, thereby electing not to become a new ADI.

The rules and procedures for ADI allocations and/or the creation of new ADI markets are dynamic and receive extensive re-examination periodically. As a result, Arbitron reserves the right to exercise its professional judgement in county assignment policies in the case of counties with unusual geographic, topographic, ethnic, historical marketing or other exceptional circumstances.

#### METRO RATING AREA

#### Definition

A Metro Rating Area ("Metro") is a separate reporting area where Arbitron reports TV household ratings, shares, and HUTs. Metros can be added to Non-Metro markets at the request of, and with the support of, all stations in the market. A minimum sample size of 125 is required.

The Metro Rating Area generally includes the entire "corresponding" MSA (Metropolitan Statistical Area, as defined by the U.S. Office of Management and Budget) except in those instances in which a MSA county (or portion of a geographically split MSA county) is not in the ADI of the market.

#### **Policy**

Originally, Metro Rating Areas consisted of the MSA counties in which were located the home stations' cities of license or primary service area plus other counties included due to historical industry precedent.

In June 1975, Arbitron Television took steps towards assigning counties to Metros on the basis of dominant viewing patterns in addition to government criteria. Specifically, effective with the 1975-76 ADI Update, Arbitron no longer applied the 10% exception (see ADI Update, Home County Policy) to new (since April 1972) MSA counties for the purpose of adding them to the appropriate Metro.

A change in the Metro Rating Area Policy for the 1976-77 Survey Year extended the television viewing criteria, dominant share, to all Metro counties in which there is no commercial home station.

Implementing this policy during ADI Update Reviews in subsequent years has caused a few Metro Rating Area counties that were not "home" counties to any television station to be assigned to an adjacent market's ADI. It was recognized that such frequent reassignments could result in unstable Metro Rating Area configurations; therefore, Arbitron again modified the ADI Review Policy to stabilize Metro definitions.

Under the modified policy, which became effective with the 1983-84 survey year, and which is still in effect, all Metro Rating Area counties are examined in combination rather than individually.

Using information from the Coverage Report, hours viewed to each station and market are summed across all counties in the Metro Rating Area; therefore, no individual Metro County can be reassigned to another market's ADI. New "shares of viewing hours" are calculated based on these multi-county sums. In the event that another market has the larger share of viewing, a test of statistical significance is applied before final ADI assignments are made. (See General Reassignment Rule.)

When an entire Metro Rating Area shifts to another market, the Home County Policy is applied to those counties of the Metro Rating Area which contain cities of license of commercial stations. Metro Rating Area counties other than Home counties will be reviewed under the General Reassignment Rule.

During the past few years, there has been a proliferation of television stations in counties outside, but contiguous to, existing Metro areas. Therefore, Arbitron has established guidelines for the possibility of adding these counties to existing Metro Rating areas.

The Metro Rating Area of a market may be expanded to include the Home County of a new commercial television station, subject to Arbitron's evaluation, if:

- 1. the new Home County is contiguous to the existing Metro Rating Area; and
- **2.** the new station does not have a primary affiliation with a network already affiliated with a station in the existing Metro Rating Area; <u>and</u>
- **3.** no single existing Metro station has its Metro Rating Area shares impacted unfairly in relation to the other home stations by the addition of the new Home County; **and**
- **4.** all stations in the market agree to the change, in writing.

A newly qualifying ADI market, which requests that its market be permanently added to an existing ADI, may request to establish "Dual Metro" Rating Areas. While Arbitron will consider the opinions of all station subscribers in both the new potential ADI and the old ADI, Arbitron reserves the right to exercise its professional judgement to either report the markets separately or to join the markets and report "Dual Metro" ratings.

In cases where the U.S. Office of Management and Budget redefines a market's MSA, Arbitron will review and may, in its judgement, modify the Metro Area. Arbitron will not modify the Metro Area if all subscribing stations oppose the reconfiguration.